CABLE DIVISION
COMMERCE AND
CONSUMER AFFAIRS

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Hawaiian Telcom

Legal Department
P.O. Box 2200
Honolulu, Hawaii 96841
Phone: 808-546-3606
Fax: 808-546-7621

December 16, 2010

VIA HAND DELIVERY (ORIGINAL + 4 COPIES)

Mr. Clyde Sonobe, Administrator
Cable Television Division
Department of Commerce and Consumer Affairs
335 Merchant Street, 1st Floor
Honolulu, Hawaii 96813

Re: In re Application of Hawaiian Telcom Services Company, Inc. for a Cable Franchise

Dear Mr. Sonobe:

We are enclosing an original and four (4) copies of the responses of Hawaiian Telcom Services Company, Inc. ("Applicant") to the Department of Commerce and Consumer Affairs First Request for Clarification/Supplemental Information dated December 3, 2010. Also enclosed, in a sealed envelope, are an original and four (4) copies of responses labeled "Confidential" that contain information Applicant considers to be confidential, proprietary, and/or highly competitive. Applicant respectfully requests that the contents of the "Confidential" responses not be disclosed to third parties without Applicant's prior written consent.

Very truly yours,

Hawaiian Telcom Services Company, Inc.

Francis K. Mukai

Francis K. Mukai
Vice President, Associate General Counsel
and Secretary

DCCA-IR-A:

III.A. (page 2 of Application). State the location of Applicant's business office.

Response:

1177 Bishop Street, Honolulu HI 96813

DCCA-IR-B:

III.C. (page 2 of Application). Regarding information on the persons authorized to act on behalf of Applicant, state the mailing addresses, office telephone numbers and fax numbers of Mr. Komeiji and Mr. Mukai

Response:

For both:

Hawaiian Telcom Services Company, Inc.
1177 Bishop Street
Honolulu HI 96813
Tel. no. 808-546-3878
Fax. no. 808-546-8992

DCCA-IR-C:

III. G (page 8 of Application). The Answer provided is incomplete. Please provide the specific information requested.

1. State Applicant's proposed plans and schedule of expenditures for or in support of the use of public, educational, and governmental (PEG) access channels and facilities including the following:

   a. The amount Applicant proposes for the annual access operating fee payments to the Director or the Director's designee for PEG access purposes. If this proposed payment is based on a percentage of revenue, explain how the percentage will be calculated.

   b. The amount Applicant proposes for the annual capital fund payments to the Director or the Director's designee for PEG access purposes. Explain how Applicant proposes to calculate this amount.

Response:

a. The amount Applicant proposes for the annual access operating fee payments to the Director or the Director's designee for PEG access purposes. If this proposed payment is based on a percentage of revenue, explain how the percentage will be calculated.

   A: Applicant proposes that the annual access operating fee payments for PEG access purposes be no greater than three percent (3%) of its video service gross revenues. The actual amount of the payments should be determined pursuant to discussions between Applicant and the Director or the Director's designee and should fairly reflect the high barrier to entry faced by Applicant in attempting to enter a market long dominated by the incumbent cable provider.

b. The amount Applicant proposes for the annual capital fund payments to the Director or the Director's designee for PEG access purposes. Explain how Applicant proposes to calculate this amount.

   A: Applicant proposes that the annual capital fund payments for PEG access purposes be no greater on a per subscriber basis than that paid by the incumbent cable provider. The actual amount of the payments should be determined pursuant to discussions between Applicant and the Director or the Director's designee, and should fairly reflect the high barrier to entry faced by Applicant in attempting to enter a market long dominated by the incumbent cable provider.

DCCA-IR-D:

III.H (page 9 of Application). State Applicant's proposed plans and schedule of expenditures for and in support of Hawaii Public Broadcasting.

Response:

Applicant proposes that its expenditures for and in support of Hawaii Public Broadcasting be no greater than the amount (currently one percent (1%)) of video service gross revenues paid by the incumbent cable operator. The actual amount of the payments should be determined pursuant to discussions between Applicant and the Director or the Director's designee and should fairly reflect Applicant's status as the new entrant in a market long dominated by the incumbent cable provider.

DCCA-IR-E:

V.D.1. (page 21 of Application). Applicant states that there are no audited financial statements for Applicant only. Provide the latest unaudited financial statements of the Applicant, Hawaiian Telcom, Inc., and Hawaiian Telcom Communications, Inc.).

Response:

There are no unaudited financial statements solely for the Applicant, Hawaiian Telcom, Inc., or Hawaiian Telcom Communications, Inc. Financial statements are prepared only on a consolidated basis for Hawaiian Telcom Holdco, Inc., which is the parent company of Hawaiian Telcom Communications, Inc., which in turn is the parent company of Applicant and Hawaiian Telcom, Inc. Attached hereto as Exhibit DCCA-IR-E are the latest unaudited consolidated financial statements of Hawaiian Telcom Holdco, Inc. for the nine-month period from January 1, 2010 to September 30, 2010. These were filed with Hawaiian Telcom Holdco, Inc.'s Form 10 filed on November 16, 2010.

DCCA-IR-F:

VI.C.2 Subscriber and Service Projections (page 27 of Application). Applicant's response appears inconsistent with statement at III.D. History and experience (page 3 of Application) in which Applicant states that it currently provides non-regulated services including high-speed Internet, long distance, advanced communication and network services, directories, and wireless businesses. Respond to Question VI.C.2 for these and any other services provided by Applicant. Describe in detail the development and projected growth of any service other than basic and pay video service. Be specific on the sources and growth of each component of revenues from all Other Services.

Response:

Applicant does not have such forecasts for its non-video services. Please note that Applicant no longer engages in the directories business, which was sold in 2007 (see page 3 of the Application).

DCCA-IR-G:

VI.J. Form B-9 (page 34 of Application). The Answer does not provide the information requested. Please provide the specific information requested in Form B-9. To the extent that portions of Applicant's response cannot be accommodated in the form provided, please address in a separate document.

Response:

Applicant does not have the information specifically requested by Form B-9. The actual INET construction cost will depend upon various factors, including negotiation between Applicant and Hawaiian Telcom, Inc. (or other competitive service provider) of the cost to provide the INET constructions and the unique characteristics of each INET location. Assuming that high speed Ethernet services (1 Gig and higher) are provided to any INET locations, then using published tariff rates from Hawaiian Telcom, Inc., we anticipate each circuit to have an average monthly recurring charge of $17,360.00 in addition to a mileage charge of $364.00 per air line miles. The total cost per circuit will be $208,320.00 per year plus mileage per location.

DCCA-IR-H:

VIII. C. Construction and Safety Standards (page 40 of Application). Specify what acronyms NESC, NEC and BICSI stand for.

Response:

NESC – National Electrical Safety Code
BICSI - Building Industry Consulting Service International
NEC - National Electrical Code

DCCA-IR-I:

VIII.D. Tower Construction and VII.E. Detailed Construction Drawings (page 41 of Application). Applicant states that it will be using Hawaiian Telcom, Inc.'s existing network to provide its video service. Is Hawaiian Telcom going to construct or upgrade its system in a manner that will accommodate the build-out of Applicant's video system, i.e., additional second-generation DSL expansion?

1. If yes, with regard to any construction, upgrades, line extensions and other major improvements that will be installed during the next five years by Hawaiian Telcom, Inc. in a manner that will accommodate Applicant's video service, provide:

    a. Detailed construction drawing(s)/specification(s) of typical poles.

    b. A map illustrating sections of the multi-channel video service distribution system which would be installed overhead and which would be installed underground, and indication of the lengths of these sections to the approximate nearest tenth of a mile.

    c. Identification of areas in which existing utility poles would be used, and areas in which new poles would have to be installed, estimated number of new poles which would be required, and the approximate distances between poles.

    d. For any underground cable sections which would be installed outside public street rights-of-way, indicate the locations and lengths to the approximate nearest tenth of a mile.

    e. Typical trenching profile, showing conduit type, trench width and depth, bedding, embedment, and separation from adjacent utilities.

    f. Identification of any freeways, railroads or Waterways (including creeks) to be crossed by the cable distribution system, and locations of crossing.

Response:

Yes. See responses below:

a. Detailed construction drawing(s)/specification(s) of typical poles.

   A: See Exhibit DCCA-IR-I.1.a attached hereto.

b. A map illustrating sections of the multi-channel video service distribution system which would be installed overhead and which would be installed underground, and indication of the lengths of these sections to the approximate nearest tenth of a mile.

A: Hawaiian Telcom, Inc. will be able to provide maps showing the information requested for only one or two years into the future. Applicant expects to be able to file these maps with the DCCA in one or two weeks, and requests that the DCCA not delay acceptance of its Application because of these maps.

c. Identification of areas in which existing utility poles would be used, and areas in which new poles would have to be installed, estimated number of new poles which would be required, and the approximate distances between poles.

A: With regard to major improvements installed during the next five years that will accommodate Applicant's video service, it is anticipated that existing utility poles throughout the franchise area will be used and no new poles will be required, subject however to the possibility that new poles may be required in special situations such as connecting to a new development not adjacent to Hawaiian Telcom, Inc.'s network.

d. For any underground cable sections which would be installed outside public street rights-of-way, indicate the locations and lengths to the approximate nearest tenth of a mile.

A: It is not feasible to identify all underground lines anticipated to be installed outside public street rights-of-way during the next five years.

e. Typical trenching profile, showing conduit type, trench width and depth, bedding, embedment, and separation from adjacent utilities.

A: See Exhibit DCCA-IR-I.1.e attached hereto.

f. Identification of any freeways, railroads or Waterways (including creeks) to be crossed by the cable distribution system, and locations of crossing.

A: Hawaiian Telcom, Inc.'s network crosses substantially all freeways, railroads, and inland waterways (including creeks). It would not be feasible to attempt to identify and list each such crossing.

DCCA-IR-J:

VIII.G. Aid-To-Construction Policy (page 43 of Application). Applicant describes Hawaiian Telcom, Inc.'s service connection policy filed with the Hawaii Public Utilities Commission. Under this policy, a service connection is allowed for Hawaiian Telcom's subscribers of up to 320 feet for aerial and 500 feet for underground no charge.

1. If customer would to like to subscribe to Applicant's video service but is outside of the no charge service connection area (but within the 5,000 foot local loop distance of a central office), will the customer be required to pay for the additional construction costs for the connection or will Applicant pay for the additional charges?

Response:

Yes, where a customer is beyond the service coverage area and would like to receive Applicant's video service in advance of Applicant's planned service coverage expansion, that customer would be required to pay for the additional construction costs for the connection.

DCCA-IR-K:

VIII.I. Cable Drop to Schools (page 44 of Application). Applicant claims that this requirement may be redundant since the incumbent cable provider already is providing basic cable service to schools or institutions of higher education. Provide in detail a description of an alternative option to a basic cable drop to schools.

Response:

A reasonable approach, one that avoids wasteful duplication, is to allow any school or institution of higher education that does not already have basic cable service to choose either basic cable service from the incumbent cable provider or basic video service from Applicant, but not both. Especially given the uniquely-difficult challenge faced by Applicant against an entrenched competitor, it is not economically feasible or reasonable to impose on Applicant a requirement to install redundant video services where cable services already are provided. In addition, the sharing of the burden between Applicant and the incumbent cable provider should be on the basis of their comparative gross video revenues, and the decision as to which provider provides a particular cable drop should take into account the relative burden to each provider to provide such drop.

DCCA-IR-L:

IX.A.3. (page 48 of Application). Provide the name and addresses of all public buildings (including education and library buildings) with qualified second-generation DSL service that will be able to receive Applicant's service.

Response:

It is not feasible to identify and list all such public buildings. Even if Applicant had or were able to compile a list of every public building on Oahu, Applicant would need to individually qualify each such building for service in order to confirm that the building could actually receive Applicant's service.

DCCA-IR-M:

State the public interest to be served by the issuance of a cable franchise to the Applicant.

Response:

As mentioned in the Application, there is clear demand on Oahu for choice and for a competitive video service provider. Applicant seeks to provide the public with the first real alternative to the entrenched cable provider (the challenges facing direct broadcast satellite providers limit their ability to be significant competitors). The monopoly status long enjoyed by the incumbent cable provider on Oahu creates a significant barrier to entry for any competitor, so much so that if Applicant's Application is denied, or approved but subject to conditions that prevent it from making it economically feasible to offer its video service, it is doubtful another significant competitor could enter the market in the foreseeable future.

Exhibit DCCA-IR-E
See V.D.1 on page 21 of Application and
DCCA-IR-E of the DCCA First Request
for Clarification/Supplemental Information

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Condensed Consolidated Statements of Operations

(Unaudited, dollars in thousands, except per share amounts)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Operating revenues	$ 301,329	$ 308,524
Operating expenses:		
Cost of revenues (exclusive of depreciation and amortization)	121,557	117,963
Selling, general and administrative	94,656	106,603
Depreciation and amortization	126,275	122,180
Total operating expenses	342,488	346,746
Operating loss	(41,159)	(38,222)
Other income (expense):		
Interest expense (contractual interest was $56,612 and $60,067 for the nine months ended September 30, 2010 and 2009, respectively)	(21,047)	(22,503)
Loss on interest rate swaps	—	(3,967)
Interest income and other	59	114
Total other expense	(20,988)	(26,356)
Loss before reorganization items and income tax benefit	(62,147)	(64,578)
Reorganization items	7,301	19,956
Loss before income tax benefit	(69,448)	(84,534)
Income tax benefit	(346)	(756)
Net loss	$ (69,102)	$ (83,778)
Net loss per common share—basic and diluted	$ (161.45)	$ (195.74)
Weighted average shares used to compute net loss per common share—basic and diluted	428,000	428,000

See accompanying notes to condensed consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Condensed Consolidated Balance Sheets

(Unaudited, dollars in thousands, except per share amounts)

	September 30, 2010	December 31, 2009 As Restated —see Note 18
Assets		
Current assets		
Cash and cash equivalents	$ 97,541	$ 96,550
Receivables, net	45,544	47,655
Material and supplies	6,504	3,871
Prepaid expenses	6,949	4,691
Other current assets	11,780	8,326
Total current assets	168,318	161,093
Property, plant and equipment, net	669,850	711,265
Intangible assets, net	271,651	301,863
Other assets	7,743	9,456
Total assets	$ 1,117,562	$ 1,183,677
Liabilities and Stockholders' Deficiency		
Liabilities not subject to compromise		
Current liabilities		
Accounts payable	$ 28,835	$ 30,972
Accrued expenses	31,538	27,950
Advance billings and customer deposits	14,854	13,954
Other current liabilities	5,577	5,075
Total current liabilities	80,804	77,951
Employee benefit obligations	102,302	113,748
Other liabilities	4,935	4,658
Total liabilities not subject to compromise	188,041	196,357
Liabilities subject to compromise	1,178,396	1,167,584
Total liabilities	1,366,437	1,363,941
Commitments and contingencies (Note 15)		
Stockholders' deficiency		
Common stock, par value of $0.01 per share, 480,000 shares authorized and 428,000 shares issued and outstanding	4	4
Additional paid-in capital	429,052	428,993
Accumulated other comprehensive loss	(32,759)	(33,191)
Accumulated deficit	(645,172)	(576,070)
Total stockholders' deficiency	(248,875)	(180,264)
Total liabilities and stockholders' deficiency	$ 1,117,562	$ 1,183,677

See accompanying notes to condensed consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Condensed Consolidated Statements of Cash Flows

(Unaudited, dollars in thousands)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Cash flows from operating activities:		
Net loss	$ (69,102)	$ (83,778)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	126,275	122,180
Employee retirement benefits	(11,446)	8,288
Provision for uncollectibles	4,501	6,653
Loss on interest rate swaps	—	3,967
Interest cost added to loan principal	10,474	7,843
Reorganization items	7,301	19,956
Changes in operating assets and liabilities:		
Receivables	(2,390)	2,031
Material and supplies	(2,633)	679
Prepaid expenses and other current assets	(5,712)	(4,756)
Accounts payable and accrued expenses	6,657	8,225
Advance billings and customer deposits	900	(1,328)
Other current liabilities	283	(2)
Other	418	2,205
Net cash provided by operating activities before reorganization items	65,526	92,163
Operating cash flows used by reorganization items	(13,924)	(16,185)
Net cash provided by operating activities	51,602	75,978
Cash flows used in investing activities:		
Capital expenditures	(50,611)	(54,198)
Net cash used in investing activities	(50,611)	(54,198)
Net change in cash and cash equivalents	991	21,780
Cash and cash equivalents, beginning of period	96,550	88,975
Cash and cash equivalents, end of period	$ 97,541	$ 110,755
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	$ 9,892	$ 11,665

See accompanying notes to condensed consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Condensed Consolidated Statement of Changes in Stockholders' Deficiency

(Unaudited, dollars in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficiency
	Shares	Amount				
Balance, January 1, 2010	428,000	$ 4	$ 428,993	$ (33,191)	$ (576,070)	$ (180,264)
Stock based compensation	—	—	59	—	—	59
Net loss	—	—	—	—	(69,102)	(69,102)
Other comprehensive income						
Reclassification adjustment for recognition of loss on interest rate swap	—	—	—	416	—	416
Unrealized gain on investments	—	—	—	16	—	16
Balance, September 30, 2010	428,000	$ 4	$ 429,052	$ (32,759)	$ (645,172)	$ (248,875)
Balance, January 1, 2009	428,000	$ 4	$ 428,913	$ (56,097)	$ (445,336)	$ (72,516)
Stock based compensation	—	—	59	—	—	59
Net loss	—	—	—	—	(83,778)	(83,778)
Other comprehensive income (loss)						
Reclassification adjustment for recognition of loss on interest rate swap	—	—	—	4,958	—	4,958
Unrealized loss on investments	—	—	—	(89)	—	(89)
Balance, September 30, 2009	428,000	$ 4	$ 428,972	$ (51,228)	$ (529,114)	$ (151,366)

See accompanying notes to condensed consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Description of Business

Business Description

Hawaiian Telcom Holdco, Inc. and subsidiaries (the "Company") is the incumbent local exchange carrier for the State of Hawaii with an integrated telecommunications network servicing approximately 447,000 switched access lines as of September 30, 2010. The Company also served approximately 230,000 long distance lines and 98,000 High-Speed Internet (HSI) connections as of that date.

Organization

The Company has one direct subsidiary, Hawaiian Telcom Communications, Inc. which has two direct subsidiaries—Hawaiian Telcom, Inc. and Hawaiian Telcom Services Company, Inc. Hawaiian Telcom, Inc. operates the regulated local exchange carrier and Hawaiian Telcom Services Company, Inc. operates all other businesses. Hawaiian Telcom Insurance Company, Incorporated is a captive insurance subsidiary of Hawaiian Telcom, Inc. and, until December 31, 2003, provided auto liability, general liability and worker's compensation insurance to its parent. The captive subsidiary continues to settle claims related to incidents which occurred prior to January 1, 2004. The Company insures current incidents with external carriers. Hawaiian Telcom Services Company, Inc. has four subsidiaries which are inactive.

2. Chapter 11 Reorganization

On December 1, 2008 (the "Petition Date"), Hawaiian Telcom Holdco, Inc. and its subsidiaries, with the exception of Hawaiian Telcom Insurance Company, Incorporated (the "Non-Debtor"), (collectively the "Debtors") filed voluntary petitions for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware. The cases were transferred to the District of Hawaii on December 22, 2008 (the "Bankruptcy Court"). The cases were being jointly administered under Case No. 08-02005. The Debtors continued to operate as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and orders of the Bankruptcy Court. In general, as debtors-in-possession, the Debtors were authorized under Chapter 11 to continue to operate as an ongoing business but could not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

The Bankruptcy Court had approved various motions for relief designed to allow the Company to continue normal operations. The Bankruptcy Court's orders authorized the Company, among other things, to: (a) use cash collateral; (b) pay prepetition and postpetition employee wages, salaries, benefits and other employee obligations; (c) honor customer service programs; and (d) continue maintenance of existing bank accounts and existing cash management systems.

Subject to certain exceptions in the Bankruptcy Code, the Chapter 11 filings automatically stayed the initiation or continuation of most actions against the Debtors, including most actions to collect prepetition indebtedness or to exercise control over the property of the bankruptcy estates. As a result, absent an order from the Bankruptcy Court, creditors were precluded from collection on prepetition debts and substantially all prepetition liabilities were subject to compromise.

Under the Bankruptcy Code, the Debtors also had the right to assume, assume and assign, or reject certain executory contracts and unexpired leases, subject to the approval of the Bankruptcy Court

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

2. Chapter 11 Reorganization (Continued)

and certain other conditions. Generally, the assumption of an executory contract or unexpired lease requires the debtor to cure certain existing defaults under the contract, including the payment of accrued but unpaid prepetition liabilities. Rejection of an executory contract or unexpired lease typically is treated as a breach of the contract or lease, immediately prior to the chapter 11 filing. Subject to certain exceptions, this rejection relieves the debtor from performing its future obligations under that contract but entitles the counterparty to assert a prepetition general unsecured claim for damages. Parties to the executory contracts or unexpired leases rejected by a debtor may file proofs of claim against the debtor's estate for damages.

On June 3, 2009, the Debtors filed a plan of reorganization with the Bankruptcy Court together with the disclosure statement. On August 28, 2009, the Bankruptcy Court approved distribution of the disclosure statement for vote by the prepetition creditors. On November 13, 2009, the Bankruptcy Court ruled that the plan as presented was approved. The final confirmation order was issued by the Court on December 30, 2009. The plan of reorganization, including the proposed debt and equity structure, was subject to approval of the Hawaii Public Utilities Commission (HPUC) and Federal Communications Commission (FCC). Approvals were obtained in September 2010 and relevant appeal periods expired in October 2010.

After satisfying all conditions precedent to emergence under the plan of reorganization, the Company emerged from chapter 11 effective as of October 28, 2010. On the emergence date the Company entered into a revised credit agreement with its former secured lenders for $300.0 million. The new facility is secured by substantially all of the assets of the Company and has customary terms and conditions.

On the emergence date, all authorized common stock of the Company was cancelled. The senior secured creditors received 10,000,000 new common stock shares with a par value of $0.01 per share. The Company received gross proceeds of $2.1 million for 135,063 shares of new common stock issued to the participants of a rights offering. Warrants to purchase 1,481,055 shares of new common stock for $14.00 per share were issued to holders of the Company's senior floating notes and senior fixed rate notes. In addition, 1,400,000 shares of new common stock were reserved for issuance pursuant to a new equity incentive plan.

Pursuant to the plan of reorganization, allowed administrative, priority tax, priority non-tax, secured tax and other secured claims will be paid in full in cash. For certain contracts that were accepted by the Company, the Company paid cure amounts for prepetition claims amounting to $5.8 million in October 2010. All other prepetition claims are to be settled for a fraction of the claim for cash not exceeding $0.5 million.

3. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America. Certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted and condensed. In the opinion of the Company's management, all

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

3. Basis of Presentation (Continued)

adjustments (consisting of only normal and recurring accruals) have been made to present fairly the financial position, the results of operations and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. Although the Company believes that the disclosures are adequate to make the information presented not misleading, these financial statements should be read in conjunction with the Company's audited consolidated financial statements as of and for the year ended December 31, 2009.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market accounts with maturities at acquisition of three months or less. The majority of cash balances at September 30, 2010 are held in two banks either in a short-term U.S. Treasury money market account or in demand deposit accounts.

Supplemental Non-Cash Investing and Financing Activities

Accounts payable included $8.5 million and $7.7 million at September 30, 2010 and 2009, respectively, for additions to property, plant and equipment.

Taxes Collected from Customers

The Company presents taxes collected from customers and remitted to governmental authorities on a gross basis, including such amounts in the Company's reported operating revenues. Such amounts represent primarily Hawaii state general excise taxes and HPUC fees. Such taxes and fees amounted to $4.6 million and $4.5 million for the nine months ended September 30, 2010 and 2009, respectively.

Earnings per Share

Basic earnings per share is based on the weighted effect of all common shares issued and outstanding, and is calculated by dividing earnings by the weighted average shares outstanding during the period. Diluted earnings per share is calculated by dividing the earnings, adjusted for the effect, if any, from assumed conversion of all potentially dilutive common shares outstanding, by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive common shares outstanding. The computation of diluted earnings per share excludes the impact of outstanding stock options as they are currently antidilutive to earnings per share.

Subsequent Events

The Company evaluated and gave recognition, if appropriate, to subsequent events which occurred after the financial statement date of September 30, 2010 through November 16, 2010, the date on which the condensed consolidated financial statements were available to be issued.

4. Recently Issued Accounting Pronouncement

In October 2009, the Financial Accounting Standards Board ("FASB") issued new guidance on accounting for multiple-deliverable revenue arrangements requiring entities to allocate revenue in an

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

4. Recently Issued Accounting Pronouncement (Continued)

arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. The guidance should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company is currently evaluating the potential impact of the accounting guidance on the consolidated financial statements.

5. Reorganization

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting standards for financial reporting by entities in reorganization under the Bankruptcy Code. In accordance with those standards, all prepetition liabilities subject to compromise have been segregated in the condensed consolidated balance sheets and classified as liabilities subject to compromise at the estimated amount of the allowable claims. Liabilities not subject to compromise are separately classified as current or noncurrent. The Company's condensed consolidated statements of operations for the nine months ended September 30, 2010 and 2009 present the results of operations during the Chapter 11 proceedings. As such, any revenues, expenses, and gains and losses realized or incurred that are directly related to the bankruptcy case are reported separately as reorganization items due to the bankruptcy. The operations and financial position of the Non-Debtor, included in the condensed consolidated statements of operations and condensed consolidated balance sheets, are not significant.

Reorganization Items

Reorganization items represent expense or income amounts that were recognized as a direct result of the Chapter 11 filing and are presented separately in the condensed consolidated statements of operations. Such items consist of the following (dollars in thousands):

	Nine Months Ended September 30,	
	2010	2009
Professional fees	$ 7,308	$ 20,722
Cancellation of liability	—	(733)
Other	(7)	(33)
	$ 7,301	$ 19,956

Professional fees relate to legal, financial advisory and other professional costs directly associated with the reorganization process. The cancellation of liability for the nine months ended September 30, 2009 represents an agreement with a vendor to wave prepetition amounts due in connection with a contract extension.

Net cash paid for reorganization items, consisting of professional and other fees, amounted to $13.9 million and $16.2 million for the nine months ended September 30, 2010 and 2009, respectively.

Hawaiian Telcom Holdco, Inc.
(Debtors-in-Possession)

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

5. Reorganization (Continued)

Liabilities Subject to Compromise

Liabilities subject to compromise refer to liabilities incurred prior to the Petition Date. The amounts of the various categories of liabilities that are subject to compromise are set forth below. These amounts represent the estimates of known or potential prepetition date claims that are likely to be resolved in connection with the bankruptcy filings. Such claims remain subject to future adjustments. Adjustments may result from negotiations, actions of the Bankruptcy Court, rejection of the executory contracts and unexpired leases, the determination of the value securing claims, proofs of claim or other events.

Liabilities subject to compromise at September 30, 2010 and December 31, 2009 consisted of the following (dollars in thousands):

	September 30, 2010	December 31, 2009
Notes payable to banks, revolving credit facility	$ 93,048	$ 91,486
Notes payable to banks, Tranche C term loan	503,222	494,311
Senior floating rate notes	150,000	150,000
Senior fixed rate notes	200,000	200,000
Senior subordinated notes	150,000	150,000
Senior notes accrued interest	29,914	29,914
Settlement on swap liability	15,890	15,621
Accounts payable	34,857	34,724
Other	1,465	1,528
	$ 1,178,396	$ 1,167,584

Liabilities not subject to compromise included: (1) liabilities held by the Non-Debtor entity; (2) liabilities incurred after the Petition Date; (3) prepetition date liabilities that the Debtors expected to pay in full, even though certain of these amounts could not be paid until a plan of reorganization was effective; and (4) prepetition date liabilities that have been approved for payment by the Bankruptcy Court and that the Debtors expected to pay (in advance of a plan of reorganization) in the ordinary course of business, including certain employee related items (e.g., salaries, vacation, and medical benefits).

6. Receivables

Receivables consisted of the following (dollars in thousands):

	September 30, 2010	December 31, 2009
Customers and other	$ 58,226	$ 60,655
Allowance for doubtful accounts	(12,682)	(13,000)
	$ 45,544	$ 47,655

Hawaiian Telcom Holdco, Inc.
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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

7. Long-Lived Assets

Property, plant and equipment consisted of the following (dollars in thousands):

	September 30, 2010	December 31, 2009
Property, plant and equipment cost	$ 1,231,918	$ 1,182,766
Less accumulated depreciation and amortization	562,068	471,501
	$ 669,850	$ 711,265

The gross carrying amount and accumulated amortization of identifiable intangible assets are as follows (dollars in thousands):

	September 30, 2010			December 31, 2009		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Subject to amortization:						
Customer relationships	$ 503,900	$ 259,449	$ 244,451	$ 503,900	$ 229,237	$ 274,663
Covenant not to compete	4,000	4,000	—	4,000	4,000	—
	507,900	263,449	244,451	507,900	233,237	274,663
Not subject to amortization:						
Brand name	27,200	—	27,200	27,200	—	27,200
	27,200	—	27,200	27,200	—	27,200
	$ 535,100	$ 263,449	$ 271,651	$ 535,100	$ 233,237	$ 301,863

Amortization expense amounted to $30.3 million and $32.4 million for the nine months ended September 30, 2010 and 2009, respectively. Estimated amortization expense for the next five years and thereafter is as follows (dollars in thousands):

2010	$ 10,071
2011	37,690
2012	35,300
2013	32,346
2014	30,129
Thereafter	98,915
	$ 244,451

Hawaiian Telcom Holdco, Inc.
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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

8. Accrued Expenses

Accrued expenses consisted of the following (dollars in thousands):

	September 30, 2010	December 31, 2009
Salaries and benefits	$ 29,112	$ 25,381
Other taxes	2,426	2,569
	$ 31,538	$ 27,950

9. Long-Term Debt

Long-term debt consisted of the following (dollars in thousands):

	Interest Rate at September 30, 2010	Final Maturity	September 30, 2010	December 31, 2009
Notes payable to banks, revolving credit facility	4.50%	April 30, 2012	$ 93,048	$ 91,486
Notes payable to banks, Tranche C term loan	4.75%	June 1, 2014	503,222	494,311
Senior floating rate notes	6.03%	May 1, 2013	150,000	150,000
Senior fixed rate notes	9.75%	May 1, 2013	200,000	200,000
Senior subordinated notes	12.50%	May 1, 2015	150,000	150,000
			1,096,270	1,085,797
Less liabilities subject to compromise			(1,096,270)	(1,085,797)
			$ —	$ —

In accordance with accounting standards for financial reporting by entities in reorganization under the Bankruptcy Code, the unsecured senior floating rate notes, senior fixed rate notes and senior subordinated notes have been presented as liabilities subject to compromise. In addition, as the bank debt is under secured, it is also presented as a liability subject to compromise.

Notes Payable to Banks

Borrowings under the bank credit facilities provided for an interest at a rate equal to the applicable margin plus, at the Company's option, either: (a) a base rate determined by reference to the higher of (1) prime rate, as defined, and (2) the federal funds rate plus $^1/_2$ of 1%; or (b) a Eurocurrency rate on deposits of one-, two-, three- or six-month periods (or nine- or twelve-month periods if, at the time of the borrowing, all lenders agree to make such a duration available). The Eurocurrency rates could not be selected for any interest periods beginning when the Company was in default on the credit facilities. The Company continued to pay all interest due on the bank credit facilities through February 28, 2009. Effective March 1, 2009, the Company agreed with its secured lenders (bank debt lenders and swap counterparties) to pay a reduced level of interest. Beginning on

Hawaiian Telcom Holdco, Inc.
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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

9. Long-Term Debt (Continued)

March 1, 2009 through the effective date of the plan of reorganization, interest was being paid to all secured lenders based on a principal balance of $300.0 million. The difference between the stated rate of interest and interest paid, became an additional secured obligation of the secured lenders. The interest on the bank credit facilities that was added to the principal balance amounted to $10.5 million and $7.8 million for the nine months ended September 30, 2010 and 2009, respectively.

Under the Plan of Reorganization the obligations under the senior credit facilities and the indentures governing our notes were cancelled and we entered into a new term loan in the amount of $300.0 million. The new term loan will mature in 2015.

Defaults

The filing of the Debtors' Chapter 11 cases constituted an event of default under the bank credit facilities and the senior notes' indentures. The Company believes that any remedies that may have existed for these events of default were stayed under the Bankruptcy Code.

Contractual Interest Expense

The Company recorded postpetition interest on prepetition obligations only to the extent it believed the interest would be paid during the bankruptcy proceedings or that it was probable that the interest would be an allowed claim. Had the Company recorded interest expense based on all of the prepetition contractual obligations, interest expense would have increased by $35.6 and $37.6 million for the nine months ended September 30, 2010 and 2009, respectively.

10. Derivative Instruments and Hedging Activities

The Company utilizes a combination of fixed-rate and variable-rate debt to finance its operations. The variable-rate debt exposes the Company to variability in interest payments due to changes in interest rates. Management believes that it is prudent to mitigate the interest rate risk on a portion of its variable-rate borrowings. To meet this objective, management maintained interest rate swap agreements to manage fluctuations in cash flows resulting from adverse changes in interest rates on its term loans and notes.

Changes in the fair value of interest rate swaps designated as hedging instruments that effectively offset the variability of cash flows associated with the Company's variable-rate debt obligations are reported in accumulated other comprehensive loss. These amounts are subsequently reclassified into interest expense as a yield adjustment of the hedged interest payment in the same period in which the related interest payments affect earnings.

On December 1, 2008 and December 2, 2008, the Company's swap agreements were terminated by the counterparties under the default provisions of the agreements. The swap termination liability of $15.9 million, included in liabilities subject to compromise, is collateralized by the same assets that collateralized bank debt and was of the same priority as bank debt in the Chapter 11 proceeding.

In the first quarter of 2009, as the Company negotiated the terms of its restructuring with its lenders, the Company concluded that the notional amount being hedged in the Company's hedge

Hawaiian Telcom Holdco, Inc.
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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

10. Derivative Instruments and Hedging Activities (Continued)

effectiveness documentation was greater than the expected amount of debt outstanding during the remaining term of the original hedges because of the agreed upon reduction in interest payments (see Note 9). A loss of $4.0 million was recognized in the first quarter of 2009 for the additional amount of ineffectiveness in the Company's interest rate swaps.

The impact of the interest rate swaps, classified as cash flow hedges, was as follows (dollars in thousands):

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Amount of loss reclassified from accumulated other comprehensive loss into income (effective portion) recognized as interest expense	$ 416	$ 991
Loss recognized in income on derivative (ineffective portion) included in other income (expense)	—	(3,967)

Amounts included in accumulated other comprehensive loss for the cash flow hedges will be reclassified into earnings as cash interest is paid on the underlying debt that was hedged. The amortization will continue through the maturity date of the original hedges of December 31, 2010. Amounts expected to be reclassified during the next 12 months is less than $0.1 million.

11. Employee Benefit Plans

The Company sponsors a defined benefit pension plan and postretirement medical and life insurance benefits for union employees. The Company also sponsors a cash balance pension plan for nonunion employees.

The Company accrues the costs of pension and postretirement benefits over the period from the date of hire until the date the employee becomes fully eligible for benefits. The following provides the components of benefit costs for the nine months ended September 30, 2010 and 2009 (dollars in thousands):

Pension

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Service cost	$ 5,268	$ 5,218
Interest cost	7,611	7,081
Expected asset return	(6,309)	(4,450)
Amortization of loss	1,143	2,128
Net periodic benefit cost	7,713	9,977

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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

11. Employee Benefit Plans (Continued)

Other Postretirement Benefits

	Nine Months Ended September 30,	
	2010	2009
Service cost	$ 855	$ 770
Interest cost	1,698	1,364
Net periodic benefit cost	$ 2,553	$ 2,134

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2009 that it expected to contribute $23.5 million to its pension plan in 2010. As of September 30, 2010, the Company has contributed $20.6 million. The Company presently anticipates contributing the full amount during the remainder of 2010.

12. Income Taxes

The income tax benefit differs from the amounts determined by applying the statutory federal income tax rate of 34% to the loss before income tax benefit for the following reasons (dollars in thousands):

	Nine Months Ended September 30,	
	2010	2009
Benefit at federal rate	$ (23,613)	$ (29,587)
Increase (decrease) resulting from:		
State income taxes, net of federal income tax	(2,778)	(4,137)
Valuation allowance	26,045	32,968
Income tax benefit	$ (346)	$ (756)

A valuation allowance has been provided at September 30, 2010 and December 31, 2009 for the deferred tax assets because of the uncertainty of future realization of such amounts. The Company will continue to assess the recoverability of deferred tax assets and the related valuation allowance. To the extent that the Company generates taxable income in future periods and it determines that such valuation allowance is no longer required, the tax benefit of the remaining deferred tax assets will be recognized at that time.

The Company evaluates its tax positions for liability recognition. As of September 30, 2010, the Company had no unrecognized tax benefits. No interest or penalties related to tax assessments were recognized in the Company's condensed consolidated statements of operations for the nine months ended September 30, 2010 or 2009. All tax years from 2006 remain open for both federal and Hawaii state purposes.

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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

13. Stock Option Plan

On November 8, 2005, the Company adopted a stock option plan (the "Plan") that permits the grant of options to its key employees and independent directors and those of its wholly owned subsidiaries. The purpose of the Plan is primarily to align compensation for key executives with the performance of the Company. All options are to be granted at an exercise price that is greater than or equal to the fair value of the common stock of the Company on the date the stock option is granted.

The Company recognized compensation expense of less than $0.1 million for the nine months ended September 30, 2010. Compensation expense was less than $0.1 million for the nine months ended September 30, 2009.

14. Comprehensive Income (Loss)

A summary of components of comprehensive income (loss) is as follows (dollars in thousands):

	Nine Months Ended September 30,	
	2010	2009
Net loss	$ (69,102)	$ (83,778)
Other comprehensive income (loss)—		
Reclassification adjustment for recognition of loss on interest rate swap	416	4,958
Unrealized gain (loss) on investments	16	(89)
Other comprehensive income	432	4,869
Comprehensive loss	$ (68,670)	$ (78,909)

15. Commitments and Contingencies

Third Party Claims

In the normal course of conducting its business, the Company is involved in various disputes with third parties, including vendors and customers. The outcome of such disputes is generally uncertain and subject to commercial negotiations. The Company periodically assesses its liabilities in connection with these matters and records reserves for those matters where it is probable that a loss has been incurred and the loss can be reasonably estimated. Based on management's most recent assessment, the Company believes that the risk of loss in excess of liabilities recorded is not material for all outstanding claims and disputes and the ultimate outcome of such matters will not have a material adverse effect on the Company's results of operations, cash flows or financial position.

Litigation

The Company is involved in litigation arising in the normal course of business. The outcome of this litigation is not expected to have a material adverse impact on the Company's condensed consolidated financial statements.

Hawaiian Telcom Holdco, Inc.
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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

15. Commitments and Contingencies (Continued)

Chapter 11 Claims

On December 23, 2008, the Clerk of the Bankruptcy Court filed the Notice of Chapter 11 Bankruptcy Cases, Meeting of Creditors, & Deadlines, establishing April 27, 2009 as the general claims bar date for each entity other than governmental units to file Proofs of Claim and July 31, 2009, as amended, as the claims bar date for governmental units. Based on management's most recent assessment, the Company believes the amount by which claims differ from liabilities recorded is not material and the ultimate outcome will not have a material adverse effect on the Company's results of operations, cash flows or financial position.

16. Fair Value of Financial Instruments

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate the fair value. It was not practical to estimate the fair value of most financial liabilities as of September 30, 2010 and December 31, 2009 because of the Chapter 11 proceeding.

Cash and cash equivalents, accounts receivable and accounts payable—The carrying amount approximates fair value because of the short maturities of these instruments.

Investment securities—The fair value of investment securities is based on quoted market prices. Investment securities are included in other assets on the condensed consolidated balance sheets.

The estimated fair value of financial instruments is as follows (dollars in thousands):

	Carrying Value	Fair Value
September 30, 2010		
Assets—investment in U.S. Treasury obligations (Level 1)	$ 1,860	$ 1,860
December 31, 2009		
Assets—investment in U.S. Treasury obligations (Level 1)	$ 2,090	$ 2,090

Fair Value Measurements

Fair value for accounting purposes is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

Accounting standards establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

Assets measured at fair value on a recurring basis represent investment securities included in other assets.

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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

17. Segment Information

The Company operates in two reportable segments (Wireline Services and Other) based on how resources are allocated and performance is assessed by the Company's Chief Executive Officer, the Company's chief operating decision maker. The Wireline Services segment provides local telephone service including voice and data transport, enhanced custom calling features, network access, directory assistance and private lines. In addition, the Wireline Services segment provides Internet, long distance services, managed services, customer premise equipment, data solutions, billing and collection, and pay telephone services. The Company also is currently incurring certain costs related to the development of a video services offering. The Other segment consists primarily of wireless services.

The following table provides operating financial information for the Company's two reportable segments (dollars in thousands):

	Wireline Services	Other	Intersegment Elimination	Total
For the nine months ended and as of September 30, 2010				
Operating revenues				
Local voice and other retail services	$ 198,761	$ 4,676	$ (1,092)	$ 202,345
Network access services	98,984	—	—	98,984
	$ 297,745	$ 4,676	$ (1,092)	$ 301,329
Depreciation and amortization	$ 126,189	$ 86	$ —	$ 126,275
Net loss	(66,742)	(2,360)	—	(69,102)
Capital expenditures	52,156	—	—	52,156
Assets	1,116,882	680	—	1,117,562
Assets as of December 31, 2009	$ 1,182,783	$ 894	$ —	$ 1,183,677
For the nine months ended September 30, 2009				
Operating revenues				
Local voice and other retail services	$ 205,803	$ 5,310	$ (1,094)	$ 210,019
Network access services	98,505	—	—	98,505
	$ 304,308	$ 5,310	$ (1,094)	$ 308,524
Depreciation and amortization	$ 122,094	$ 86	$ —	$ 122,180
Net loss	(80,273)	(2,411)	(1,094)	(83,778)
Capital expenditures	57,037	—	—	57,037

18. Restatement

Subsequent to the issuance of the 2009 consolidated financial statements, the Company's management determined that the Company had incorrectly assigned a value to an identifiable intangible asset for franchise rights in conjunction with the purchase of an acquired business. Because of the unique nature of this particular nontransferable franchise right, the Company concluded there is not an independent market participant useful for purposes of determining a separately identifiable

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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

18. Restatement (Continued)

value. Hence, the Company concluded no value should have been assigned. The purchase price should have instead been allocated to goodwill of its wireline segment. As a result, the accompanying financial statements have been restated. The restatement resulted in the elimination of an impairment loss on the franchise right intangible asset that had been recognized in the 2007 results of operations and reclassification of the franchise right intangible asset (including the amount previously impaired) to goodwill of the Company's wireline segment. In conjunction with the restatement and the Company's annual impairment tests for goodwill, the Company concluded that the goodwill was impaired in 2007.

Because of the differences in intangible asset amortization for income tax and financial reporting purposes, the 2007 restatement also impacted the condensed consolidated statement of operations for the nine months ended September 30, 2009 as follows (dollars in thousands):

	As Previously Reported	Adjustments	As Restated
Loss from continuing operations before income taxes	$ (84,534)	$ —	$ (84,534)
Income tax benefit	(24)	(732)	(756)
Net loss	$ (84,510)	$ 732	$ (83,778)
Net loss per common share—basic and diluted	$ (197.45)	$ 1.71	$ (195.74)

The Company's condensed consolidated statement of cash flows for the nine months ended September 30, 2009 was restated for cash flows from operating activities as follows (dollars in thousands):

	As Previously Reported	Adjustments	As Restated
Net loss	$ (84,510)	$ 732	$ (83,778)
Adjustments to reconcile net loss to net cash provided by operating activities			
Deferred income taxes	732	(732)	—

Hawaiian Telcom Holdco, Inc.
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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

18. Restatement (Continued)

The consolidated balance sheet as of December 31, 2009 was restated as follows (dollars in thousands):

	As Previously Reported	Adjustments	As Restated
December 31, 2009			
Intangible assets, net	$ 368,163	$ (66,300)	$ 301,863
Total assets	1,249,977	(66,300)	1,183,677
Deferred income taxes	$ 1,275	$ (1,275)	$ —
Total liabilities	1,365,216	(1,275)	1,363,941
Accumulated deficit	(511,045)	(65,025)	(576,070)
Total stockholders' deficiency	(115,239)	(65,025)	(180,264)
Total liabilities and stockholders' deficiency	1,249,977	(66,300)	1,183,677

The statement of changes in stockholders' deficiency was also restated for the changes in equity as indicated above.

19. Reorganization Subsequent Event

After satisfying all conditions precedent to emergence under the plan of reorganization, the Company emerged from chapter 11 effective as of October 28, 2010.

The Company's emergence from the Chapter 11 proceedings has resulted in a new reporting entity and the adoption of fresh-start reporting. The consolidated financial statements as of September 30, 2010 do not give effect to any adjustment in the capital structure changes or to the carrying values of assets or liabilities that will be recorded upon the adoption of fresh start reporting and implementation of the Company's plan of reorganization.

Pro Forma Financial Information

The following unaudited pro forma balance sheet reflects adoption of fresh start reporting and implementation of the plan of reorganization as if it had been effective September 30, 2010. Reorganization adjustments have been estimated in the pro forma financial information to reflect the discharge of certain prepetition liabilities and the adoption of fresh-start reporting based on purchase accounting rules.

Estimated reorganization adjustments in the pro forma balance sheet result primarily from the: (i) changes in carrying values of assets and liabilities to reflect fair values including the establishment of certain intangible assets; (ii) discharge of the Company's prepetition liabilities in accordance with the plan of reorganization; (iii) addition of new financing; and (iv) issuance of new common stock and warrants and cancellation of old common stock. No incremental cash proceeds are expected to be raised upon the effectiveness of the plan of reorganization other than a nominal amount from a stock rights offering made to certain secured creditors.

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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

19. Reorganization Subsequent Event (Continued)

These adjustments are based upon the preliminary work of the Company to determine the relative fair value of the Company's assets and liabilities. The allocation of the reorganization enterprise value to individual assets and liabilities will change based upon the completion of the fair value process and will result in differences to the fresh-start adjustments and allocated values estimated in this pro forma information. Such differences may be significant primarily as related to the split between categories of long-lived assets. However, we currently anticipate that the allocation of value to total long-lived assets will not vary considerably. In addition, we do not expect a significant change in stockholders' equity on a pro forma basis.

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Consolidated Pro Forma Balance Sheet (a)

(Unaudited, Dollars in thousands)

	Historical September 30, 2010	Plan Reorganization Adjustments	Fresh-Start Valuation Adjustments	Pro Forma September 30, 2010
Assets				
Current assets				
Cash and cash equivalents	$ 97,541	$ (8,000)(b)	$ —	$ 89,541
Receivables, net	45,544	—	—	45,544
Material and supplies	6,504	—	—	6,504
Prepaid expenses	6,949	—	—	6,949
Other current assets	11,780	—	—	11,780
Total current assets	168,318	(8,000)	—	160,318
Property, plant and equipment, net	669,850	—	(263,170)(d)	406,680
Intangible assets, net	271,651	—	(198,351)(d)	73,300
Other assets	7,743	—	—	7,743
Total assets	$ 1,117,562	$ (8,000)	$ (461,521)	$ 648,041
Liabilities and Stockholders' Equity (Deficiency)				
Liabilities not subject to compromise				
Current liabilities				
Accounts payable	$ 28,835	$ —	$ —	$ 28,835
Accrued expenses	31,538	—	—	31,538
Advance billings and customer deposits	14,854	—	—	14,854
Other current liabilities	5,577	—	—	5,577
Total current liabilities	80,804	—	—	80,804
Long-term debt	—	300,000 (b)	—	300,000
Employee benefit obligations	102,302	—	—	102,302
Other liabilities	4,935	—	—	4,935
Total liabilities not subject to compromise	188,041	300,000	—	488,041
Liabilities subject to compromise	1,178,396	(1,178,396)(b)	—	—
Total liabilities	1,366,437	(878,396)	—	488,041
Stockholders' equity (deficiency)				
Common stock	4	100 (c)	(4)(c)	100
Additional paid-in capital	429,052	159,900 (c)	(429,052)(c)	159,900
Accumulated other comprehensive loss	(32,759)	—	32,759 (c)	—
Accumulated deficit	(645,172)	710,396 (c)	(65,224)(c)	—
Total stockholders' equity (deficiency)	(248,875)	870,396	(461,521)	160,000
Total liabilities and stockholders' equity (deficiency)	$ 1,117,562	$ (8,000)	$ (461,521)	$ 648,041

(a) The consolidated pro forma balance sheet estimates the effect of implementing the plan of reorganization and fresh start reporting which will be required for financial reporting upon emergence from the Chapter 11 proceedings. Under fresh-start reporting the reorganization enterprise value of $460.0 million is allocated $160.0 million to equity and $300.0 million to the new term loan. The adjustments in the consolidated pro

Hawaiian Telcom Holdco, Inc.
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Consolidated Pro Forma Balance Sheet (a)

(Unaudited, Dollars in thousands)

forma balance sheet are estimates. Actual adjustments will be based on the final valuation and may be materially different than those presented herein.

(b) Reflects the discharge of prepetition liabilities in accordance with the plan of reorganization and the reclassification of the remaining liabilities subject to compromise to the appropriate liability accounts. Liabilities are expected to be satisfied with payment of cash $8.0 million (including contract cure costs), a new term loan of $300.0 million and issuance of equity of $160.0 million for both common stock and warrants. To facilitate the calculation of the enterprise value, the Company developed a set of financial projections which were included as part of the Company's plan of reorganization. The estimates and assumptions made in this valuation are inherently subject to significant uncertainties and the resolution of contingencies beyond the reasonable control of the Company. Accordingly, there can be no assurance that the estimates, assumptions and amounts reflected in the valuations will be realized and the actual results could vary materially. Moreover, the market value of the Company's common stock may differ materially from the equity valuation.

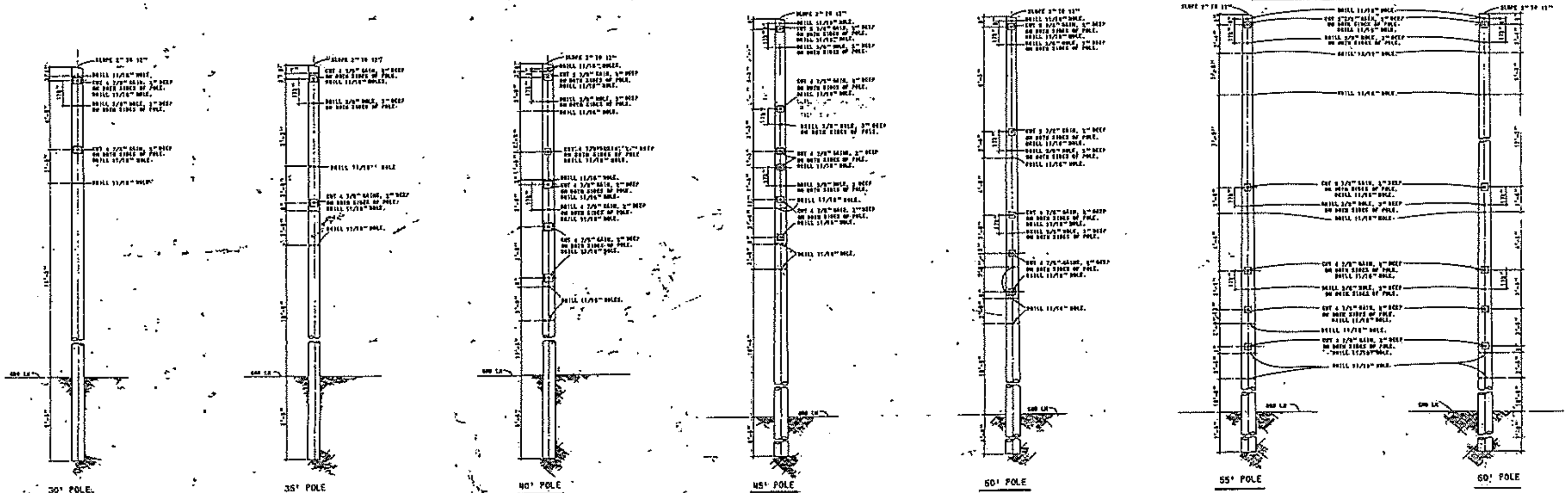
(c) Reflects the issuance of new common stock and warrants to prepetition creditors and the gain on discharge of liabilities subject to compromise.

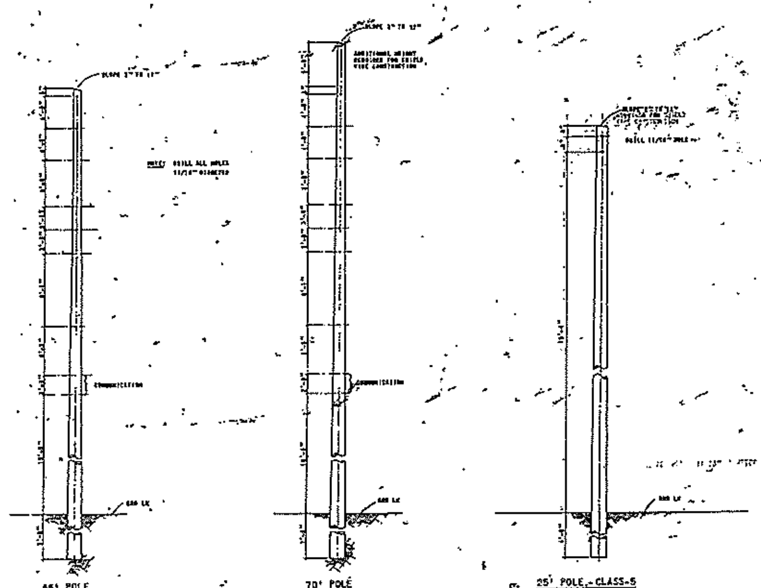
(d) Reflects changes to the carrying value of assets and liabilities to fair values. No adjustment has been reflected for accounts receivable and inventory as carrying value approximates fair value. The split between categories of long-lived assets is an estimate and likely will change and such change could be significant.

(e) Reflects the elimination of the historical accumulated deficit and other equity accounts and an adjustment to stockholders' equity to result in the estimated reorganized equity value.

Upon adoption of the fresh-start accounting the consolidated statement of operations will reflect the impact of the reorganization and fresh-start adjustments as reorganization items. In periods subsequent to adoption of fresh-start, the adoption of a new basis of accounting is expected to result in significantly lower depreciation and amortization currently estimated at an annual amount ranging from $70 million to $90 million. In addition, subsequent to the chapter 11 emergence date, no further reorganization costs are anticipated, which were $7 million for the nine months ended September 30, 2010, and annual interest expense on the new financing is expected to approximate $27 million.

Exhibit DCCA-IR-I.1.a
See VII.E on page 41
of Application and
DCCA-IR-I.1.a of the
DCCA First Request
for Clarification/
Supplemental
Information





FRAMING FOR ARMLESS CONSTRUCTION (H.E. #2-2170)

NOTES:

1. 30'-40' POLE FRAMING (H.E. [illegible]).
2. 45'-60' POLE FRAMING (H.E. [illegible]).

DATA FOR DOUGLAS FIR WOOD POLES - PENTACHLOROPHENOL TREATED								
LENGTH (FEET)	CLASS	MINIMUM DIAMETER AT TOP (INCHES)	MINIMUM CIRCUMFERENCE AT TOP (INCHES)	MINIMUM DIAMETER 6'0" FROM BUTT (INCHES)	MINIMUM CIRCUMFERENCE 6'0" BUTT (INCHES)	AVERAGE WEIGHT (POUNDS)	DEPTH IN AVERAGE FIRM GROUND	DEPTH IN SOLID ROCK
25	5	6.05	19	8.12	25.5	430	4'-6"	3'-0"
30	5	6.05	19	8.75	27.5	573	5'-0"	3'-0"
35	5	6.05	19	9.23	29.0	750	5'-0"	3'-6"
40	3	7.32	23	11.46	36.0	1225	5'-6"	4'-0"
45	3	7.32	23	11.94	37.5	1456	6'-0"	4'-0"
50	3	7.32	23	12.41	39.0	1686	6'-6"	4'-6"
55	3	7.32	23	12.89	40.5	2011	7'-0"	5'-0"
60	2	7.96	25	14.32	45.0	2501	7'-6"	5'-0"
65	2	7.96	25	15.12	47.5	3012	[illegible]	5'-6"
70	2	7.96	25	15.60	49.0	3022	7'-6"	6'-0"

REVISIONS

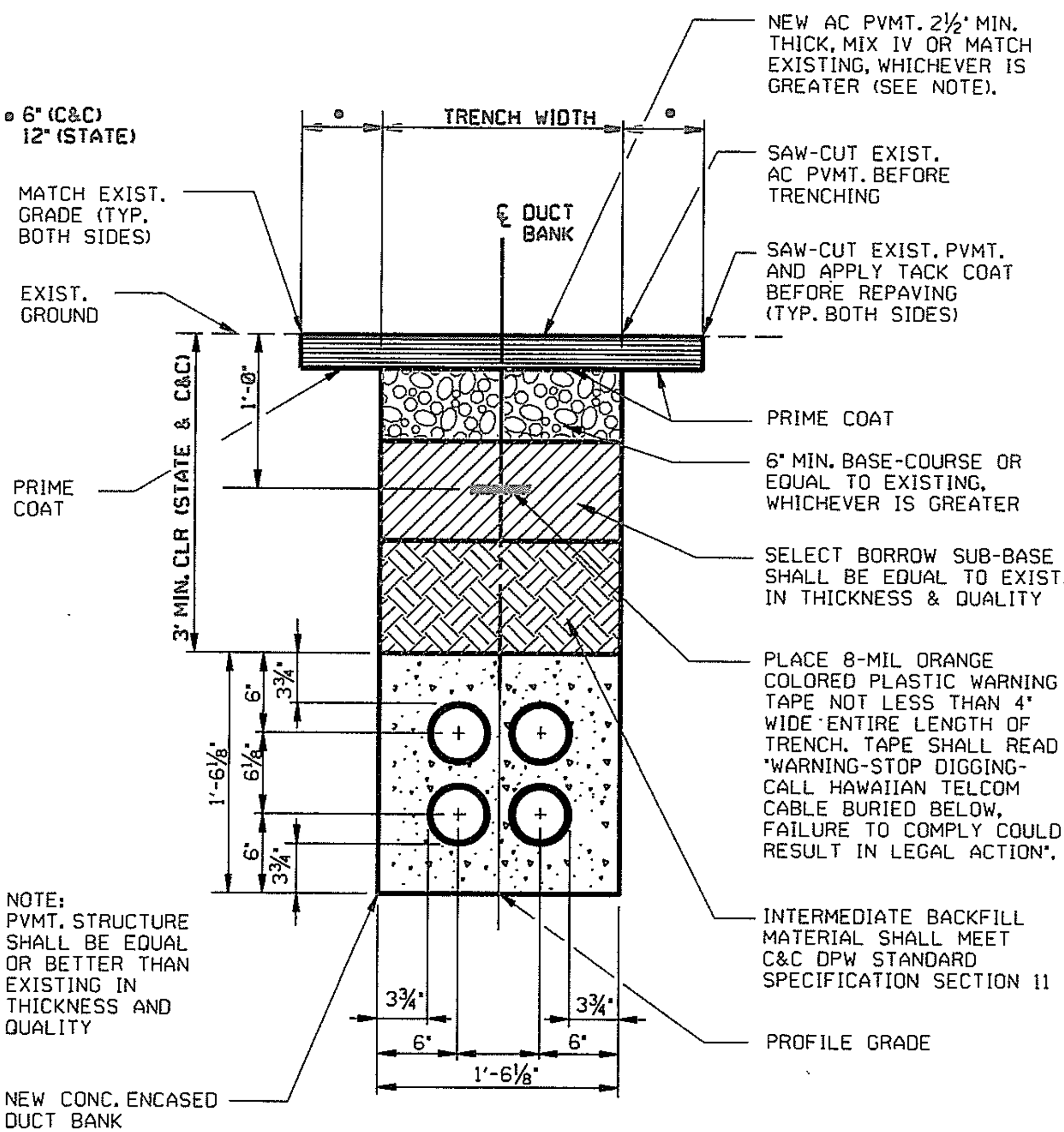
[illegible]	[illegible]
[illegible]	LATEST REVISIONS OF H.E. DWG.
[illegible]	ADDED DATA FOR DOUGLAS FIR WOOD POLES - PENTACHLOROPHENOL TREATED [illegible]
	[illegible]

HAWAIIAN TELEPHONE COMPANY
HAWAII

[illegible] POLE FRAMING & DATA
25' TO 70' POLES

34019

Exhibit DCCA-IR-I.1.e
See VII.E on page 41 of Application and
DCCA-IR-I.1.e of the DCCA First Request
for Clarification/Supplemental Informatio



TYPICAL TRENCH DETAIL

SCALE: 1" = 1'-0"

DRAWN BY: ALMA	TITLE:	REV. NO. BY DATE
CHECKED BY:	TYPICAL TRENCH APPLICATION	1
APPROVED BY: CALVIN CHOY		2
SCALE: 1" = 1'-0"		3
DATE: 8-23-94		4
		5
		DGN NO. 34028